

## Message Text

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ORIGIN EB-08

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DRAFTED BY 3/24/78 20889  
APPROVED BY EB:JLKATZ  
-----128909 250744Z /23

P 250232Z MAR 78  
FM SECSTATE WASHDC  
TO HON RUDY PERPICH GOV OF MINNESOTA  
MINNEAPOLIS MINNESOTA PRIORITY

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E.O. 11652:N/A

TAGS: OVIP

SUBJECT: "BUY AMERICAN" LEGISLATION

TO THE HONORABLE RUDY PERPICH, GOVERNOR OF MINNESOTA

IT HAS COME TO MY ATTENTION THAT BILL H-2369, WHICH WOULD,  
WITH CERTAIN EXCEPTIONS, REQUIRE THAT AGENCIES OF THE  
MINNESOTA STATE GOVERNMENT AND STATE CONTRACTORS PURCHASE  
ONLY MATERIALS, SUPPLIES, AND EQUIPMENT WHICH ARE MANU-  
FACTURED IN THE UNITED STATES, HAS PASSED BOTH HOUSES OF  
THE LEGISLATURE AND HAS BEEN SUBMITTED TO YOU FOR SIGNATURE.

THE DEPARTMENT OF STATE IS EXTREMELY CONCERNED THAT EN-  
ACTMENT OF "BUY AMERICAN" LEGISLATION SUCH AS H-2369  
COULD INVITE RETALIATION AGAINST AMERICAN EXPORTS, COULD  
UNDERMINE U.S. TRADE POLICY OBJECTIVES, AND COULD HAVE AN  
INFLATIONARY IMPACT ON THE AMERICAN ECONOMY.

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FOREIGN TRADE IS OF VITAL IMPORTANCE TO THE ECONOMIC  
WELL-BEING OF OUR COUNTRY. ALTHOUGH IN 1977 OUR TOTAL  
IMPORTS INCREASED TO A RECORD LEVEL, THIS RISE WAS  
PRIMARILY DUE TO THE COST OF IMPORTED OIL. OUR TRADING

PARTNERS, ON THE OTHER HAND, PURCHASED AN UNPRECEDENTED

\$120.1 BILLION WORTH OF AMERICAN PRODUCTS IN 1977. A CONSIDERABLE AMOUNT OF THESE ITEMS WERE EITHER MANUFACTURED IN MINNESOTA OR EXPORTED THROUGH MINNESOTA'S FACILITIES.

ENACTMENT OF "BUY AMERICAN" RESTRICTIONS IN THE UNITED STATES WILL CONTRIBUTE TO A RISE IN PRESSURES IN OTHER COUNTRIES TO TAKE RETALIATORY ACTION AGAINST AMERICAN PRODUCTS OR TO ENACT SIMILAR "BUY NATIONAL" REGULATIONS. SUCH A PROLIFERATION OF "BUY NATIONAL" RESTRICTIONS WOULD BE HIGHLY DETRIMENTAL TO AMERICAN EXPORTS AND TO THE OVERALL ECONOMIC INTERESTS OF THE UNITED STATES. IN THIS REGARD, THE DEPARTMENT OF STATE RECENTLY EXPRESSED ITS CONCERN TO THE CANADIAN GOVERNMENT REGARDING PROPOSALS FOR A "BUY CANADIAN" POLICY WHICH WOULD BE DETRIMENTAL TO U.S. EXPORTERS, INCLUDING THOSE LOCATED IN MINNESOTA. OF PARTICULAR CONCERN IS A REPORTED PLAN FOR THE INTRODUCTION OF A "BUY CANADA" BILL IN THE ONTARIO LEGISLATURE.

REPRESENTATIVES OF THE UNITED STATES ARE ALSO CURRENTLY ENGAGED IN NEGOTIATIONS IN GENEVA, UNDER THE AUSPICES OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE, TO LIBERALIZE INTERNATIONAL TRADE THROUGH THE REDUCTION OF TARIFFS AND NON-TARIFF BARRIERS. THE PRIMARY U.S. TRADE POLICY OBJECTIVE IN THESE NEGOTIATIONS IS TO OBTAIN

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INCREASED ACCESS IN PRIVATE AND GOVERNMENT MARKETS OVERSEAS FOR AMERICAN EXPORTS. THESE NEGOTIATIONS ARE NOW AT A CRUCIAL STAGE, AND AGREEMENT ON VARIOUS CODES WHICH WILL INCREASE EXPORT OPPORTUNITIES FOR AMERICAN FIRMS IS EXPECTED TO BE REACHED BY JULY OF THIS YEAR. ANY ACTION TAKEN IN THE UNITED STATES TO DENY TRADE OPPORTUNITIES TO OTHER COUNTRIES COULD HAVE PARTICULARLY UNFORTUNATE REPERCUSSIONS AT THIS TIME.

RESTRICTIVE PROCUREMENT LAWS CAN HAVE AN INFLATIONARY IMPACT ON THE AMERICAN ECONOMY BY REQUIRING GOVERNMENT AGENCIES TO PURCHASE DOMESTICALLY-PRODUCED ITEMS EVEN WHEN THEY ARE MUCH MORE EXPENSIVE THAN COMPARABLE FOREIGN PRODUCTS. SUCH PURCHASES RAISE THE BUDGETARY BURDENS OF GOVERNMENT AGENCIES AND INCREASE THE COST OF GOVERNMENTAL SERVICES FOR THE TAXPAYER WITHOUT COMMENSURATE BENEFITS.

FOR THESE REASONS, THE DEPARTMENT OF STATE REQUESTS THAT YOU GIVE SERIOUS CONSIDERATION TO VETOING THIS LEGISLATION.

SINCERELY,

JULIUS L. KATZ  
ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS  
DEPARTMENT OF STATE, WASHINGTON, D.C. VANCE

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**TAGS:** OVIP, ETRD, PGOV, US, (KATZ, JULIUS L)  
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